

Mr. Glenn Ward
June 25, 1992
Page Two

Totaling these cost factors for large scale soil disposal, we have estimated that our handling costs actually runs between 8 and 9 percent of the net subcontractor invoice on the average. Accounting for a reasonable profit and the additional risk associated with the prepayment of expenses, we feel that our standard 15 percent fee is appropriate in most cases. However, since Hovnanian is a valued client, we are offering you a reduction from our standard fee for the disposal of large volumes of soil.

Based on this assessment, we are offering the following special terms for your consideration.

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- a) If Hovnanian elects to pre-pay large volume soil disposal costs, JMS will reduce the standard handling fee to 8 percent of the total cost.
- b) JMS will reduce our handling fee for large volume soil disposal to 10 percent under standard billing procedures. However, JMS will invoice Hovnanian for 80 percent of the estimated disposals cost within our next billing cycle following shipment of the material if complete disposal backup data is not available. The remaining 20 percent will be invoiced along with the 10 percent handling fee following receipt of associated disposal documentation.
- c) We propose to continue to charge our standard handling and administrative cost of 15 percent for small disposal operations (less than \$15,000) and all other associated subcontractor costs. This reflects the greater risks associated with the processing of small subcontractor accounts.

I believe that these terms adequately reflect our costs for the associated services, and provide a significant cost reduction for your firm. Please review these proposed changes and advise me of any comments or concerns you may have. Following resolution of any further concerns, JMS will issue a final statement of terms which will be used for invoicing for all future projects with the Hovnanian Companies.

44⁰⁰ / Ton
43.51.
\$30,800.00

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Mr. Glenn Ward
June 25, 1992
Page Three

Please note that we have suspended invoicing pending the anticipated change in our terms. Therefore, we would like to implement the revised terms as soon as possible. Finally, these terms are extended solely to the Hovnanian Companies; therefore, we would appreciate your discretion in maintaining the confidential nature of our agreement to the extent possible.

I thank you for the candid manner in which you presented your concerns regarding our handling fees. Your candor allowed us to respond in a constructive manner and preserve the business relationship between our respective firms. I hope that these modified terms meet with your approval, and I look forward to our continued working relationship in the future.

Should you have any questions regarding this matter, please give me a call at your convenience.

Yours truly,

Joseph M. Sorge
President

JMS/nk

Enclosure

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